

# City of Detroit

## CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director *ICJ.*

DATE: July 18, 2007

RE: Most Recent Agreement between the City of Detroit and Detroit Tigers, Inc.

Councilwoman JoAnn Watson asked for a copy of the most recent agreement between the City of Detroit and Ilitch Holdings relative to the Old Tiger Stadium on Michigan and Trumbull, including maintenance/upkeep/ownership/lease arrangements/financial arrangements and tenure of said agreement.

Fiscal Analysis was able to obtain from the Law Department late yesterday a copy of following documents, which are attached.

- The Sublease contract between the City of Detroit and the Detroit Baseball Club Division of John E. Fetzer, Inc. ("Baseball"), dated December 6, 1978.
- First amendment to the Sublease contract dated November 10, 1982.
- Second amendment to the Sublease contract dated November 24, 1982.
- Third amendment to the Sublease contract dated May 16, 1989, and
- Fourth amendment to the Sublease contract dated January 29, 1999.

A cursory review of these documents reveals the following (probably the most important points being numbers 7, 8 and 9 below, which pertains to the \$2 million for demolition/maintenance of the old Tiger Stadium):

1. Article IV "Sublease of Stadium, Term, Use, Possession, Quiet Enjoyment, Rentals, Fees and Revenues", Section 4.5 Service Fee of the 1978 Sublease indicates the service fee was 50 cents of each baseball ticket sold and, 50 cents for each ticket sold for any other event presented by Baseball.
2. Article V "Application of Rentals and Fees; Taxes and Other Charges, Section 5.2 Remaining Moneys and Capital Improvement Fund of the 1978 Sublease



indicates that any remaining monies from the receiving fund, rent and service fee be used to pay for repairs, maintenance and improvements associated with the old Tiger Stadium.

3. Article V "Sublease of Stadium, Term, Rentals, Fees and Revenues", Section 5.3 of the first amendment amended Section 4.5 Service Fee of the 1978 Sublease contract to change the service amount to 90 cents for each baseball and non-baseball ticket sold beginning April 1, 1981. Section 5.3 also amended Section 4.5 to say that the service fee would reduce to 50 cents at the time the 1978 bonds and the 1982 bonds associated with the old Tiger Stadium were fully paid.
4. Section 1 of the third amendment further amended Section 4.5 Service Fee of the 1978 Sublease contract to allow Baseball to notify the City in writing by November 15<sup>th</sup> of any year subsequent to when the bonds were fully paid to terminate the 40 cents of the service fee and permanently reduce the service fee back to 50 cents.
5. Section 2 of the third amendment further amended Section 5.2 (b) of the 1978 Sublease contract to 65 cents of the 90 cents service fee to be used to reimburse Baseball for the cost of repairs, maintenance and improvements for the old Tiger Stadium. The remaining 25 cents would be deposited in the capital improvement fund subsequent to the payment of the bonds.
6. The fourth amendment to the 1978 Sublease contract names the "Detroit Tigers, Inc. (Ilitch) as the successor of Fetzer, but still calls the entity "Baseball" (eight whereas). The ninth whereas discusses the Concession and Management Agreement ("CMA") of August 20, 1998, which superceded the CMA dated December 19, 1996 entered into between Baseball and the Downtown Development Authority ("DDA").
7. **Article XXIV "Conditions Precedent" Payment of Two Million Dollars of the fourth amendment indicates that Baseball is obligated to deposit with the DDA or the City, as directed by the DDA, the sum of \$2 million by no later than the earlier of a) the date upon which a certificate of occupancy has been issued for the New Stadium (i.e., Comerica Park), or b) the date upon which Baseball first uses the New Stadium for its intended purposes. This Article also allowed Baseball to deposit an amount less than \$2 million if a balance was in the capital improvement fund for the old Tiger Stadium.**
8. Parenthetically, Council should note that a review of the executed Memorandum of Understanding ("MOU") between the DDA and the Detroit Tigers, Inc. indicates that under Section 10.C. the "Tigers agree to deposit with the City on or before the date on which the new stadium is available for use by the Tigers under the Concession/Management Agreement, the sum of



\$2,000,000, which sum shall be used either to maintain or demolish the present Tiger Stadium, as determined by the City". A copy of this MOU is not included in this report for the sake of keeping the volume of information somewhat low. Of course, we can provide a copy upon request.

9. Another parenthetical note, a draft copy of the 1996 CMA indicates under Article 21 Additional Obligations of Tigers, section 21.3 Payment by Tigers to DDA, that "on or before the Commencement Date, the Tigers shall deposit with the City, or the DDA, as directed, the amount of \$2,000,000 to be used by the City to maintain or demolish the present Tiger Stadium". We do not have an executed copy of the CMA, however. Council should request to get an executed copy from Research and Analysis Division or the Law Department.

Council may officially request that RAD provide a review of these documents referred to above to confirm our limited understanding of these documents, or expand upon our analysis.

It is our understanding Mr. Ron Flies of the Detroit Economic Growth Corporation (DEGC) that the City received a check for \$2 million from Detroit Tigers, Inc. for demolition or maintenance of the old Tiger Stadium. This then indicates that no dollars were available in the capital improvement fund to reduce the \$2 million payment to the City.

Our review of the financial reporting system indicates that the \$2 million was made available to the City around July 2000. The records also show that at least \$457,000 in interest earnings was added to the \$2 million in total. Mr. Flies indicated that up to \$600,000 could have been generated.

In addition, the financial records indicate that approximately \$300,000 to \$500,000 was spent annually for maintenance and security of the old Tiger Stadium. The records also show that the funds were totally exhausted around June 2006. Mr. Flies indicated that since the funds have been exhausted the Real Estate Section of Planning and Development (PDD) has been paying for security (7 days a week, 24 hours a day) out of its property maintenance account. It is not certain how much has been spent to date for the old Tiger Stadium security and maintenance.

Mr. Flies also indicated that the DEGC/EDC will be responding to Council President's questions regarding the old Tiger Stadium and present EDC project plan that is currently before your Honorable Body. In the response, a more detailed account of how the \$2 million, plus interest earnings, was spent to maintain, including security, the old Tiger Stadium. It is hoped that Mr. Flies would be able ascertain from PDD how much it has spent on the old Tiger Stadium since the exhaustion of the funds, in the response as well.

If the response from DEGC/EDC does not provide the information, Council should ask the Administration to provide the following for clarification:

1. A full accounting of the \$2 million the City received from the Detroit Tigers, Inc., plus any interest earnings, and how the money was spent.
2. When these funds were fully exhausted, the amount of money the City spent from PDD's property maintenance account each month since June 2006 for maintenance and upkeep, including security.

#### Attachments

cc: Council Divisions  
Auditor General's Office  
Ronald Flies, Detroit Economic Growth Corporation  
Douglass Diggs, Planning and Development Director  
Roger Short, Chief Financial Officer  
Kandia Milton, Mayor's Office

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